



AQA - A Level Economics

The national and international economy

9.2 The measurement of macroeconomic
performance

Worked Examples

Contents

Hey there! 🙌

We're **Tutor Packs**, and our mission is simple: making learning easy, stress-free, and actually enjoyable. ✨📚

We've got FREE revision notes and worked examples for loads of subjects, perfect for smashing those exams. 💪

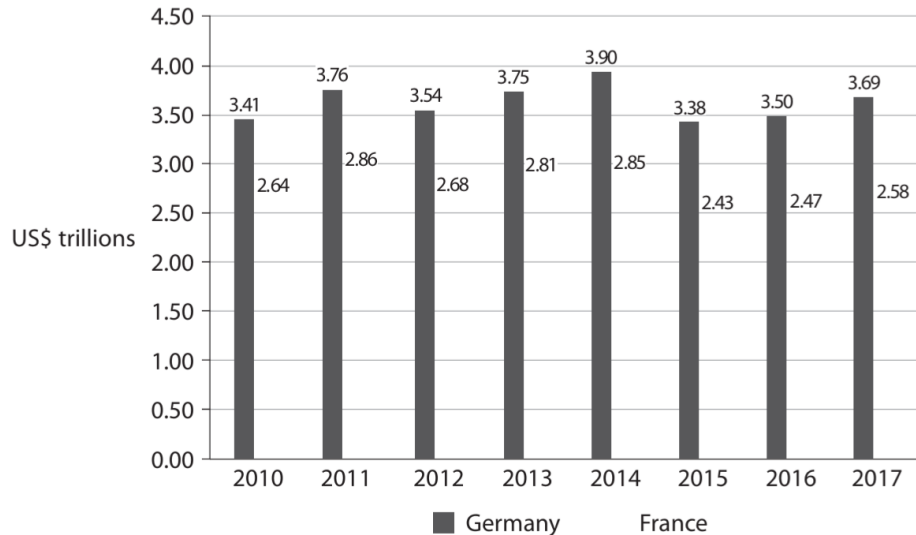
Want to see what we're all about and show support please visit our social media pages: <https://www.tutorpacks.com/links>

- The measurement of macroeconomic performance

9. The measurement of macroeconomic performance

Exam Style Question 1

GDP at Purchasing Power Parities, Germany and France (nominal, trillions of US dollars) 2010-2017.



(Source: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2017&locations=DE&start=1970&view=chart>)

9. The measurement of macroeconomic performance

Exam Style Question 1

(a) From the data in the graph above, which **one** of the following may be deduced? [1]

- ☐ A France's rate of inflation was lower than Germany's in 2017
- ☐ B Germany's GDP is smaller than France's in every year shown.
- ☐ C In every year that France's GDP fell compared to the previous year, Germany's GDP did too.
- ☐ D The GDP of both Germany and France fell between 2015 and 2016.

(b) Calculate the percentage change in Germany's nominal GDP from 2016 to 2017. [2]

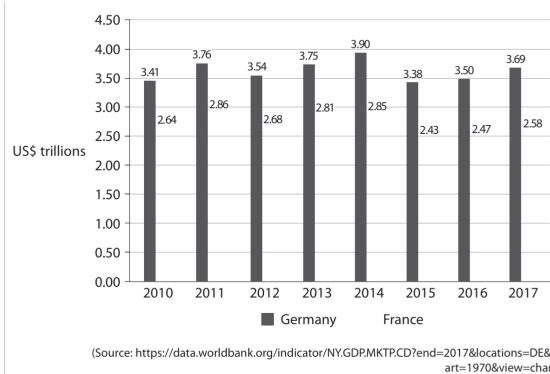
(c) Explain **one** reason why Purchasing Power Parities are used. [2]



9. The measurement of macroeconomic performance

Exam Style Question 1

GDP at Purchasing Power Parities, Germany and France (nominal, trillions of US dollars) 2010-2017.



(a) From the data in the graph above, which **one** of the following may be deduced? [1]

- ☐ A France's rate of inflation was lower than Germany's in 2017
- ☐ B Germany's GDP is smaller than France's in every year shown.
- ☐ C In every year that France's GDP fell compared to the previous year, Germany's GDP did too.
- ☐ D The GDP of both Germany and France fell between 2015 and 2016.

(b) Calculate the percentage change in Germany's nominal GDP from 2016 to 2017. [2]

(c) Explain **one** reason why Purchasing Power Parities are used. [2]

9. The measurement of macroeconomic performance

Exam Style Question 1

Answer:

(a) **Answer: C:** "In every year that France's GDP fell compared to the previous year, Germany's GDP did too." [1]

- **Option A:** Incorrect because we do not have any information on inflation.
- **Option B:** Incorrect because Germany's GDP is larger than France's in every year shown.
- **Option D:** Incorrect because the GDP of both countries grew between 2015 and 2016.

(b) Calculate the percentage change in Germany's nominal GDP from 2016 to 2017. [2]

To calculate percentage change, use the formula:

$$\% \text{ change} = \frac{\text{New value} - \text{Old value}}{\text{Old value}} \times 100$$

For Germany's GDP:

- 2017: 3.69 trillion
- 2016: 3.50 trillion

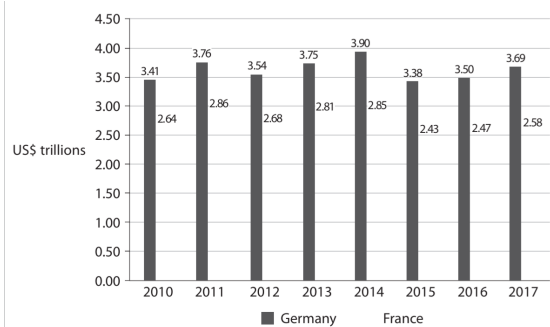
$$\% \text{ change} = \frac{3.69 - 3.50}{3.50} \times 100 = \frac{0.19}{3.50} \times 100 \approx 5.43\% \text{ [1]}$$

So, Germany's GDP increased by approximately **5.43%** from 2016 to 2017. [1]

9. The measurement of macroeconomic performance

Exam Style Question 1

GDP at Purchasing Power Parities, Germany and France (nominal, trillions of US dollars) 2010-2017.



(Source: <https://data.worldbank.org/indicator/NY.GDPMKTP.CD?end=2017&locations=DE&start=1970&view=chart>)

- (a) From the data in the graph above, which **one** of the following may be deduced? [1]
- ☐ A France's rate of inflation was lower than Germany's in 2017
 - ☐ B Germany's GDP is smaller than France's in every year shown.
 - ☐ C In every year that France's GDP fell compared to the previous year, Germany's GDP did too.
 - ☐ D The GDP of both Germany and France fell between 2015 and 2016.
- (b) Calculate the percentage change in Germany's nominal GDP from 2016 to 2017. [2]
- (c) Explain **one** reason why Purchasing Power Parities are used. [2]



9. The measurement of macroeconomic performance

Exam Style Question 1

Answer:

(c) Explain one reason why Purchasing Power Parities (PPPs) are used. [2]

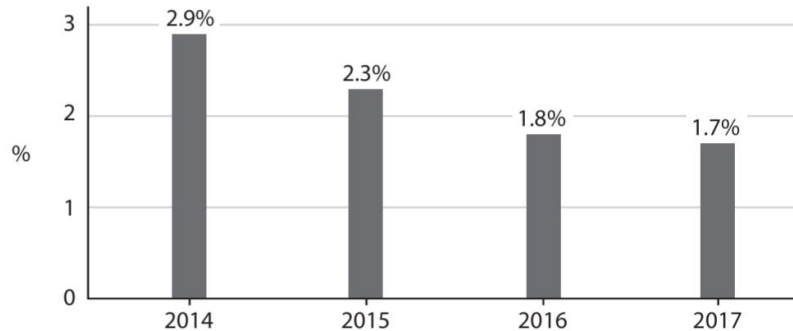
Definition: Purchasing Power Parities (PPPs) adjust GDP figures to account for differences in the cost of living between countries. Instead of just using exchange rates, PPPs measure what the same amount of money can buy in each country. It is also used to improve accuracy comparing data between countries. [1]

Reason: PPPs are used to make fairer comparisons between countries because they reflect the true value of goods and services in each country. For example, £1 might buy more goods in India than in the UK, so PPP adjusts for this difference to give a clearer picture of economic well-being. [1]

9. The measurement of macroeconomic performance

Exam Style Question 2

UK real Gross Domestic Product (GDP), annual percentage change 2014-2017.



(Source: <https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/ihyp/qna>)

- (a) Total real UK GDP in 2016 was £200,000 million. With reference to the chart above, calculate the total real UK GDP for 2017. You are advised to show your working. [2]
- (b) Explain the term 'real gross domestic product'. [2]
- (c) With reference to the chart on page 2, which **one** of the following is correct over the period shown? [1]
- ☐ A GDP per capita was highest in 2014
 - ☐ B Inflation rose in 2015
 - ☐ C The UK economy grew at the fastest rate in 2014
 - ☐ D The UK economy was in recession in 2015

9. The measurement of macroeconomic performance

Exam Style Question 2

Answer:

(a) Calculate the total real UK GDP for 2017.

We know that the real UK GDP in 2016 was £200,000 million, and the GDP growth rate for 2017 is 1.7%. To calculate the GDP for 2017, we apply the formula:

$$GDP \text{ for 2017} = GDP \text{ for 2016} \times (1 + \text{growth rate})$$

First, convert the growth rate to decimal form (1.7% becomes 0.017), then multiply:

$$GDP \text{ for 2017} = 200,000 \times (1 + 0.017) = 200,000 \times 1.017 \text{ [1]}$$
$$GDP \text{ for 2017} = 203,400$$

So, the total real UK GDP for 2017 is **£203,400 million**. [1]

(b) Explain the term 'real gross domestic product':

"Real gross domestic product" (real GDP) refers to the total value of all goods and services produced in a country (total output of the economy), adjusted for inflation. [2]

(c) With reference to the chart, which one of the following is correct over the period shown?

Answer: C – The UK economy grew at the fastest rate in 2014.

Option A – Incorrect, we do not have any data on population

Option B – Incorrect, we do not have any data on inflation

Option D – Incorrect, economic growth is positive in 2015

9. The measurement of macroeconomic performance

Exam Style Question 3

In October 2019 the annual rate of inflation in the UK was 1.5%, as measured by the Consumer Prices Index (CPI), and 2.1%, as measured by the Retail Prices Index (RPI).

(a) Define the term 'inflation'? [1]

(b) From the above data, it can be deduced that the percentage point difference between CPI and RPI was:

[1]

- ☐ A 0.0
- ☐ B 0.2
- ☐ C 0.4
- ☐ D 0.6



9. The measurement of macroeconomic performance

Exam Style Question 3

Answer:

(a) Define the term 'inflation'.

Inflation is the sustained increase in the average price level of goods and services in an economy over time.

(b) From the above data, it can be deduced that the percentage point difference between CPI and RPI was:

The RPI rate is 2.1%, and the CPI rate is 1.5%. To calculate the difference:

$$\text{Difference} = 2.1\% - 1.5\% = 0.6\%$$

The answer is **D: 0.6**.

9. The measurement of macroeconomic performance

Exam Style Question 4

UK Consumer Price Index (the base year 2005=100)

September 2013	126.8
September 2014	128.4
September 2015	128.2

(Source: <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-323657>)

- (a) Calculate the percentage change in the UK Consumer Price Index from September 2014 to September 2015. You are advised to show your working. [2]
- (b) Define the term 'deflation'. [1]
- (c) Which **one** of the following is most likely to be a cause of deflation? A fall in:

[1]

- ☐ A Oil prices
- ☐ B Unemployment
- ☐ C Income tax rates
- ☐ D Interest rates

9. The measurement of macroeconomic performance

Exam Style Question 4

Answer:

(a) Calculate UK Consumer Price Index

To calculate the percentage change:

$$\% \text{ change} = \frac{\text{New value} - \text{Old value}}{\text{Old value}} \times 100$$

UK consumer Price Index:

- September 2014: 128.4
- September 2015 128.2

$$\% \text{ change} = \frac{128.2 - 128.4}{128.4} \times 100 = \frac{-0.2}{128.4} \times 100 \approx -0.16\% \text{ [1]}$$

So, the Consumer Prices Index fell by **0.16%** between September 2014 and September 2015. [1]

(b) Define the term 'deflation'.

Deflation happens when the average prices of goods and services across the economy are falling over time. This means the inflation rate is negative, and the value of money increases.

(c) Which one of the following is most likely to be a cause of deflation?

Answer: **A: Oil Prices** [1]

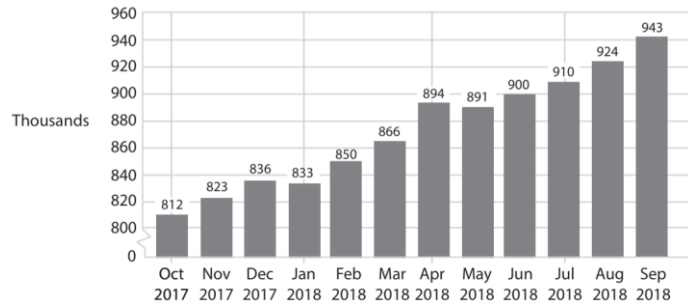
Explanation:

A fall in oil prices reduces the cost of production and transportation for many goods and services. As a result, businesses can pass these savings on to consumers by lowering prices, contributing to deflation.

9. The measurement of macroeconomic performance

Exam Style Question 5

Number of unemployed person, UK, as measured by the claimant count, thousands



(Source: <https://tradingeconomics.com/united-kingdom/unemployed-persons>)

- (a) Calculate the percentage change in the number of UK unemployment persons between April and July 2018. You are advised to show your working. [2]

9. The measurement of macroeconomic performance

Exam Style Question 5

Answer:

- (a) Calculate the percentage change in the number of UK unemployed persons between April and July 2018.

To calculate the percentage change:

1. Initial value (April 2018): 894,000
2. Final value (July 2018): 910,000
3. Formula for percentage change:

$$\% \text{ change} = \left(\frac{\text{Final value} - \text{Initial value}}{\text{Initial value}} \right) \times 100$$

Substituting the values:

$$\% \text{ change} = \left(\frac{910,000 - 894,000}{894,000} \right) \times 100 \approx 1.79\%$$

Answer: The percentage change is approximately **1.79%**. [2]



9. The measurement of macroeconomic performance

Exam Style Question 6

The table below shows claimant count data for the UK.

	Number of Claimants
August 2014	961 149
September 2014	923 240
October 2014	887 771
November 2014	848 085
December 2014	823 880
January 2015	852 934
February 2015	858 344

- (a) Define the term 'claimant count'. [1]
- (b) Calculate the percentage change in the claimant count from August 2014 to February 2015. [2]
- (c) Which **one** of the following is likely to cause a reduction in the claimant count? [1]
- ☐ A An increase in the weekly payment for claimants
- ☐ B A compulsory weekly interview for every claimant
- ☐ C An increase in the size of the workforce
- ☐ D A fall in employment

9. The measurement of macroeconomic performance

Exam Style Question 6

Answer:

(a) Define the term 'claimant count'.

The **claimant count** measures the number of people claiming unemployment-related benefits, such as Jobseeker's Allowance (JSA). [1]

(b) Calculate the percentage change in the claimant count from August 2014 to February 2015.

To calculate the percentage change:

$$\% \text{ change} = \frac{\text{New value} - \text{Old value}}{\text{Old value}} \times 100$$

- Old value (Aug 2014): 961,149
- New value (Feb 2015): 858,344

$$\% \text{ change} = \frac{858,344 - 961,149}{961,149} \times 100 \approx -10.7\% \text{ [1]}$$

So, the claimant count fell by 10.7% between Aug 2014 and Feb 2015. [1]

(c) Which **one** of the following is likely to cause a reduction in the claimant count?

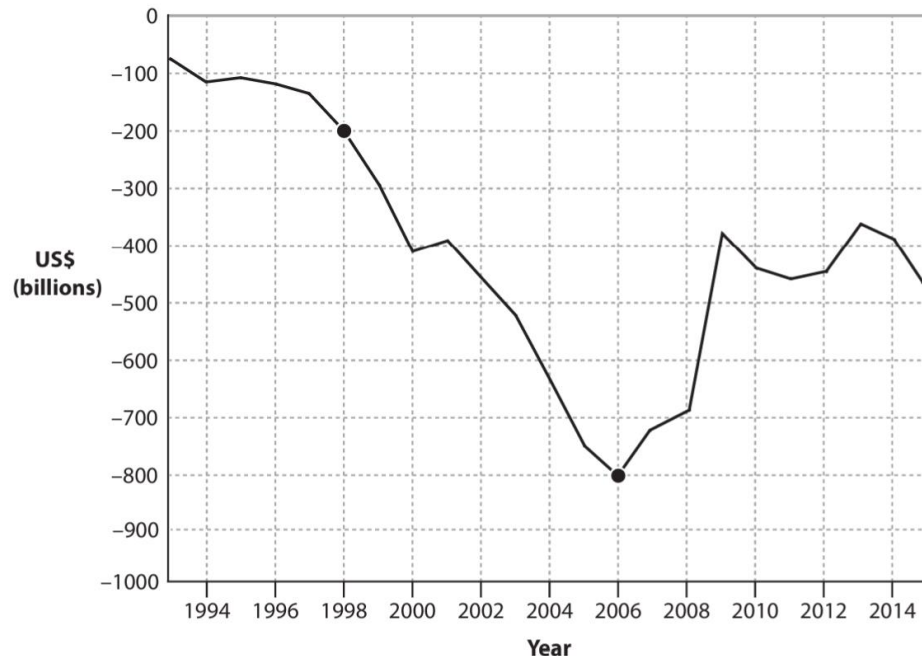
The correct answer is **B**. [1]

Why? A weekly interview requirement might discourage some people from continuing their claims if they're not seriously looking for work. It can reduce the claimant count by filtering out those who aren't actively job hunting.

9. The measurement of macroeconomic performance

Exam Style Question 7

US current account of the balance of payments, 1993-2015



(Source: <http://data.worldbank.org/indicator/BN.CAB.XOKA.CD?end=2015&locations=US&start=1993>)

- (a) Calculate the percentage change in the US current account deficit on the balance of payments between 1998 and 2006. [2]
- (b) Explain the term 'current account of the balance of payments'.



9. The measurement of macroeconomic performance

Exam Style Question 7

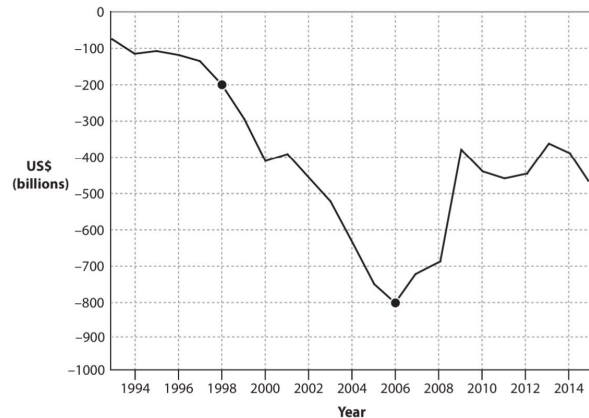
(c) Using the chart, which **one** of the following may be inferred about the US balance of payments? [1]

- ☐ A The current account deficit decreased between 2001 and 2006
- ☐ B The current account surplus increased between 2001 and 2006
- ☐ C There was a current account deficit for the entire period shown
- ☐ D There was a current account surplus for the entire period shown

9. The measurement of macroeconomic performance

Exam Style Question 7

US current account of the balance of payments, 1993-2015



(Source: <http://data.worldbank.org/indicator/BN.CAB.XOKA.CD?end=2015&locations=US&start=1993>)

- (a) Calculate the percentage change in the US current account deficit on the balance of payments between 1998 and 2006. [2]
- (b) Explain the term 'current account of the balance of payments'. [2]
- (c) Using the chart, which **one** of the following may be inferred about the US balance of payments? [1]
- ☐ A The current account deficit decreased between 2001 and 2006
 - ☐ B The current account surplus increased between 2001 and 2006
 - ☐ C There was a current account deficit for the entire period shown
 - ☐ D There was a current account surplus for the entire period shown

9. The measurement of macroeconomic performance

Exam Style Question 7

Answer:

- (a) Calculate the percentage change in the United States current account deficit on the balance of payments between 1998 and 2006.

To calculate the percentage change:

1. **1998 deficit:** -200 billion USD
2. **2006 deficit:** -800 billion USD
3. **Formula for percentage change:**

$$\% \text{ change} = \left(\frac{\text{New value} - \text{Old value}}{\text{Old value}} \right) \times 100$$

Substituting the values:

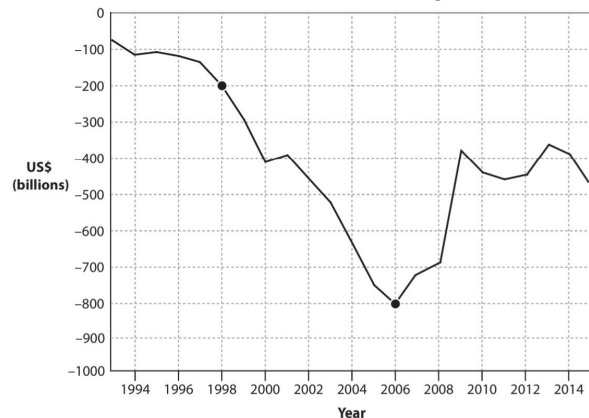
$$\% \text{ change} = \left(\frac{-800 - (-200)}{-200} \right) \times 100 \approx 300\% \text{ [1]}$$

Answer: The current account deficit increased by **300%** between 1998 and 2006. [1]

9. The measurement of macroeconomic performance

Exam Style Question 7

US current account of the balance of payments, 1993-2015



(Source: <http://data.worldbank.org/indicator/BN.CAB.XOKA.CD?end=2015&locations=US&start=1993>)

- (a) Calculate the percentage change in the US current account deficit on the balance of payments between 1998 and 2006. [2]
- (b) Explain the term 'current account of the balance of payments'. [2]
- (c) Using the chart, which **one** of the following may be inferred about the US balance of payments? [1]
- ☐ A The current account deficit decreased between 2001 and 2006
 - ☐ B The current account surplus increased between 2001 and 2006
 - ☐ C There was a current account deficit for the entire period shown
 - ☐ D There was a current account surplus for the entire period shown

9. The measurement of macroeconomic performance

Exam Style Question 7

Answer:

(b) Explain the term 'current account of the balance of payments'.

The **current account** of the balance of payments measures the flow of money into and out of a country due to international trade and transfers. It includes:

1. **Trade in goods:** Exports and imports of physical items like cars or food.
2. **Trade in services:** Exports and imports of services such as banking or tourism.
3. **Primary income:** Earnings from investments abroad, such as dividends and interest.
4. **Secondary income:** Transfers like foreign aid or remittances. [1]

It calculates the **value of exports minus the value of imports** and any inflows or outflows of money, indicating whether a country is in surplus (earning more than it spends) or deficit. [1]

(c) Using the chart, which **one** of the following may be inferred about the United States balance of payments?

- **Option C: There was a current account deficit for the entire period shown.** [1]

From 1993 to 2015, the current account balance remains below zero throughout, indicating a consistent deficit.

Please see the '9.1 The measurement of
macroeconomic performance Revision Notes'
pack for detailed notes.

For more revision notes, tutorials, worked
examples and more help visit
www.tutorpacks.com

